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DEPARTMENT OF COMMERCE

International Trade Administration

[Docket No.: 120216141-2141-01]

RIN: 0625-XA17

User Fee Schedule for Trade Promotion Services

**AGENCY: U.S. & Foreign Commercial Service, International Trade Administration,
Department of Commerce**

ACTION: Notice and Request for Comment

SUMMARY: The U.S. & Foreign Commercial Service (US&FCS) within the International Trade Administration (ITA) publishes this notice to announce its intent to adjust user fees in light of an independent cost of service study finding, which concluded that the US&FCS is not fully covering its costs for providing trade promotion services under the current fee structure. ITA provides a wide range of trade promotion information and services to U.S. businesses that are exporting or seeking to export. The services considered here are a subset of ITA activities that involve relatively more intensive time engagements with particular client firms; ITA will continue to provide its core information and services without charge. The primary objective of the adjustment to the User Fee Schedule is to ensure that the fees for the more intensive services reflect, to the extent possible, the actual costs incurred by the United States for providing these more intensive trade promotion services. The fee revenue is expected to continue to contribute to ITA's capabilities for assisting U.S. businesses in accessing export markets.

In addition, in revising the user fees, the US&FCS proposes to revise the small & medium-sized enterprises (SME) hourly rate discount as well as the SME incentive program piloted in 2008.

The US&FCS has historically offered a discount to SME's, defined as those which employ 500 or less persons. Under the User Fee Schedule proposed in this notice, US&FCS will offer a discount of 50 percent per hour to SMEs.

The purpose of this notice is to align user fees and authorized activities with actual program costs; and improve our ability to properly recover direct and indirect costs associated with service delivery.

DATES: We will consider all comments that we receive on or before 60 days after publication in the Federal Register.

ADDRESSES: You may submit comments by either of the following methods:

Federal eRulemaking Portal: www.Regulations.gov.

Postal Mail/Commercial Delivery: Docket No. ITA-2012-0001 U.S. & Foreign Commercial Service, Office of Strategic Planning & Resource Management, 1400 Constitution Avenue N.W. Rm. C125, Washington, D.C. 20235.

Supporting documents and any comments we receive on this docket may be viewed at <http://www.regulations.gov/#!docketDetail>; D ITA-2012-0001.

SUPPLEMENTARY INFORMATION:

Background

The statutory mission of US&FCS is to “place primary emphasis on the promotion of exports of goods and services from the United States, particularly by small businesses and medium-sized businesses, and on the protection of United States business interests abroad . . . through activities that include assisting United States exporters.” 15 U.S.C. Sec. 4721(b). The statute further defines the term “United States exporter” at 15 U.S.C. Sec. 4721(j) as a U.S. citizen, U.S. corporation, or foreign corporation that is more than 95% U.S.-owned that “exports or seeks to export, goods or services

produced in the United States.” User fees may be collected from U.S. exporters that meet the Service Eligibility Policy issued in FY 2011.

The Office of Management and Budget (OMB) Circular A-25 encourages the full recovery of costs through user fees for an appropriate share of goods and services provided to recipients of benefits beyond those accruing to the general public. Specifically, section 6 of Circular A-25 states that “when a service (or privilege) provides special benefits to an identifiable recipient beyond those that accrue to the general public, a charge will be imposed (to recover the full cost to the Federal Government for providing the special benefit, or the market price).” A “user fee” is the amount paid by a recipient of a special benefit beyond those benefits accruing to the general public. A “special benefit” may accrue and a user fee be imposed when a government service: (a) enables the beneficiary to obtain more immediate or substantial gains or values than those that accrue to the general public; (b) is performed at the request or for the convenience of the recipient, and is beyond the services regularly received by members of the same industry or group or by the general public; or (c) provides business stability or contributes to public confidence in the business activity of the beneficiary.

The direct or indirect cost of a service provided by the Federal Government includes, but is not limited to, the following:

- Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in Circular A-11.
- Physical overhead, consulting, or other indirect costs including material and supply costs, utilities, insurance travel, and rents or imputed rents on land, buildings, and equipment.
- The management and supervisory costs.

- The costs of enforcement, collection, research, establishment of standards, and regulation, including any environmental impact statements.

User Fee Schedule

The US&FCS offers Trade Promotion Services to U.S. businesses that consist of Standard Services and Customized Services. For each of these services, the US&FCS collects fees according to the User Fee Schedule that is made available on its website and agency publications. The “Standard Services” listed in the User Fee Schedule are services that are performed in the same manner by all US&FCS field units. Other “Customized Services,” not shown in the chart below, entail substantive variation of the scope of work.

The US&FCS proposes to modify the user fees for both Standard Services and Customized Services. The Standard Services described below will no longer be assigned a standard global price. The proposed new User Fee Schedule provided below lists each standard service and the estimated number of hours for completion of service delivery. To determine the fee for any service, a flat hourly rate of \$55.33 is multiplied by the estimated workload hours. Direct costs, such as transportation or an interpreter, will be discussed with the client and assessed in addition to the user fee. For Customized Services, the estimated workload hours will vary but the user fee will be calculated based on the flat rate of \$55.33 per hour.

The Standard Services that will be assessed under the new fees are described below.

1. Business Service Provider is a program where the US&FCS offers both U.S. and non-U.S. professional service providers the opportunity to introduce their services to U.S. exporters via the web. This service helps U.S. or foreign firms promote services which facilitate export transactions, such as market assessments, financing, accounting or legal services. The duration of the web promotional message is one year.

2. Featured U.S. Exporter is a service where the US&FCS provides a virtual directory of U.S. products featured on USFCS websites around the world. It enables U.S. exporters an opportunity to target specific markets in the local language of business. The duration of the advertisement is one year.
3. Gold Key Service is a service where the US&FCS arranges meetings in foreign markets to match U.S. exporters with prospective sales agents or distributors, manufacturers, licensees, franchisees or strategic partners. The U.S. exporter identifies the type of firm it desires US&FCS to identify, screen, and evaluate according to criteria established by the U.S. exporter. The number of firms to be identified is determined by the client. A market briefing is provided.
4. International Company Profile is a service where the US&FCS provides a research report on a prospective business partner's commercial viability and financial circumstances, which includes topics such as business registration, credit rating, profit and loss data, pending litigation, reputation, and US&FCS opinion about the firm and export prospects.
5. International Partner Service is a service where the US&FCS provides a report concerning prospective sales agents or distributors, manufacturers, licensees, franchisees or strategic partners. The U.S. exporter identifies the type of firm it desires US&FCS to identify, screen, and evaluate according to criteria established by the U.S. exporter. The number of firms to be identified is determined by the client.

6. Quicktake is a service where the US&FCS assists U.S. exporters to quickly determine which among more than 30 European markets offer the best export opportunities for a specific product or service and provides direction on how to enter those markets.

Pricing Discounts

The US&FCS currently offers various discounts to SMEs. For all SMEs, the hourly rate is discounted 65 percent. In addition, the SME Incentive Program offers new-to-exporting firms a 50 percent discount from the full rate on the first Gold Key service, International Company Profile service or International Partner Search service, provided the firm meets the following criteria: 1) the firm's products are eligible for US&FCS fee-based assistance; 2) the firm has not exported in the prior 24 months; and 3) the firm has not previously received assistance from US&FCS. Other discounts involving bundling or bulk service orders were also offered in the past.

Under this notice, US&FCS proposes to eliminate the SME incentive program. A SME discount of 50 percent per hour will be offered as an exception to the OMB full cost recovery guidance, resulting in a hourly rate of \$27.66 for all SMEs.

Full cost rates and SME discount rates are provided on the next page so that the public can comment upon the implications of full and SME rates.

Proposed User Fee Schedule

Standard Service	Average Service Delivery Hours	Proposed Fee for Average Workload		Current Fee Schedule		Dollar Change in Pricing		Percentage Change in Pricing	
		Full	SME	Full	SME	Full	SME	Full	SME
Business Service Provider	12	664	332	600	300	64	32	11%	11%
Featured U.S. Exporter	6	332	166	300	150	32	16	11%	11%
Gold Key Service	64	3,541	1,771	2,300	700	1,241	1,071	54%	153%
International Company Profile	23	1,273	636	900	600	373	36	41%	6%
International Partner Search	49	2,711	1,356	1,400	500	1,311	856	94%	171%
Quicktake	15	830	830	750	750	80	80	11%	11%

Determining the Cost of Performing Each Service

The cost of service methodology developed by US&FCS was designed to bring the organization closer to full cost recovery guidance set forth in OMB Circular A-25. To set prices that are “self sustaining,” the US&FCS had to determine the true cost of providing various trade promotion services.

Federal Accounting Standards permit US&FCS to use an activity-based costing model to determine the true cost of services listed in the proposed User Fee Schedule. The activities were defined in accordance with the US&FCS list of eleven (11) services offered by US&FCS, including both standard (6) and customized (5) services.

As part of the cost of service study, the US&FCS conducted a workload survey to obtain a more accurate estimate of the true cost for delivery of specific services. The workload survey was designed and distributed to all US&FCS international and domestic field units. An operational audit technique was used for this workload survey. The operational data is based on level of effort exerted by a cross-section of staff members who are subject matter experts and practitioners. The independent contractor commissioned for the cost of service study reviewed the workflow process for delivery of standard and customized services, breaking out the discrete steps of each activity to obtain the estimated time to complete each step, then combined the step workload to determine the total workload estimate per service. The data submitted by various US&FCS field units was then aggregated to determine the global average of workload for each standard or customized service.

The proposed global average hourly rate of \$55.33 was based on actual staffing data and payroll for staff specifically engaged in the delivery of trade promotion services, rather than data

aggregated from US&FCS staff as a whole. This resulted in a weighted average hourly rate that did not include overhead, benefits and other burdening factors. (These burdening factors were later added to produce the burdened hourly rate of \$55.33.) Using FY2010 ITA budget data, fringe benefits and non-labor related costs (e.g. materials, supplies, rent, utilities, equipment) were prorated to determine the burdening rate that was to be added to the hourly rate. This resulted in an hourly rate that accounts for all applicable labor and non-labor costs specifically related to the delivery of services, which is consistent with federal accounting standards.

Conclusion

Based on the information provided above, the US&FCS believes its proposed fees are consistent with the objective of OMB Circular A-25 to “promote efficient allocation of the nation’s resources by establishing charges for special benefits provided to the recipient that are at least as great as the cost to the U.S. Government of providing the special benefits . . . ” OMB Circular A-25(5)(b).

FOR FURTHER INFORMATION CONTACT:

Ms. Erin Sullivan, U.S. & Foreign Commercial Service

Office of Strategic Planning & Resource Management

1400 Constitution Avenue N.W. Rm. C125

Washington, D.C. 20235

Phone: (202) 482-1539

Elnora Moye

Trade Program Assistant

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